UNOPS

INTERNAL AUDIT AND INVESTIGATIONS GROUP

UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

INTERNAL AUDIT REPORT

5 November 2021

PROJECT NAME:	**SOUTH SUDAN ENHANCING COMMUNITY RESILIENCE AND LOCAL GOVERNANCE PROJECT (ECRP)**
PROJECT NUMBER:	**21775-001**
COUNTRY:	**SOUTH SUDAN**
AUDITOR:	**BDO LLP**
PERIOD SUBJECT TO AUDIT:	**7 AUGUST TO 31 DECEMBER 2020**

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Acronyms and abbreviations

CO	Country Office
IAASB	International Auditing and Assurance Standards Board
IAIG	Internal Audit and Investigations Group
IPSAS	International Public Sector Accounting Standards
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
US$	United States Dollars
WFP	World Food Programme

Executive summary

The engagement context

The Internal Audit and Investigations Group (IAIG) of the United Nations Office for Project Services (UNOPS), through BDO LLP ("the audit firm"), conducted an audit of the project titled 'South Sudan Enhancing Community Resilience and Local Governance Project' ("the project") (oneUNOPS project ID 21775-001), which is implemented and managed by UNOPS South Sudan. The audit firm was under the general supervision by IAIG in conformance with the International Standards for the Professional Practice of Internal Auditing.

The project reported expenditure amounting to US$ 5,430,028 during the period from 7 August to 31 December 2020.

Audit objectives

The overall objective of the audit was to assess the management of the project operations to obtain reasonable assurance towards the achievement of the project objectives.

The areas of focus included:

a) Effective, efficient and economical use of resources;
b) Reliability of reporting;
c) Safeguarding of assets; and
d) Compliance with applicable legislation.

The purpose of the audit was to provide reasonable assurance that:

a) Client/donor contributions and project expenditure are properly accounted for;
b) Project expenditure was incurred in accordance with the contribution agreement, and is supported by adequate documentation; and
c) The related financial statements prepared by UNOPS for the year under review present a fair view of the operations.

In particular, the audit firm provided an overall assessment of the operational and internal control systems that are in place for the management of the project so that related transactions are processed in accordance with UNOPS policies and procedures to achieve the project's objectives.

Audit scope

The audit firm conducted the audit in accordance with International Standards on Auditing issued by the IAASB and UNOPS internal audit practices, and in consideration of the requirements of International Public Sector Accounting Standards (IPSAS).

Audit rating

Based on the audit report and corresponding management letter submitted by the audit firm, IAIG assessed the management of the project as satisfactory (effective), which means, "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area". The details of the audit results are presented in Tables 1 and 2.

Table 1: Summary results of the financial audit

Project title		Period	Project no.
South Sudan Enhancing Community Resilience and Local Governance Project		7 August to 31 December 2020	21775-001
Financial statement		**Statement of non-expendable property**	
Amount US$	**Opinion**	**Amount US$**	**Opinion**
5,430,028	Unmodified	150,571	Unmodified

Table 2: Internal control rating summary for project

Rating summary by functional area		
Functional area	**Rating**	
Project management	Satisfactory	
Finance	Partially satisfactory	
Procurement and supply chain	Satisfactory	
Human resources	Satisfactory	
General administration	Satisfactory	
Overall rating of internal control	**Satisfactory**	

Key issues and recommendations

The audit raised one issue. There is one recommendation, which is ranked medium priority, meaning "Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences)".

Below is a list of the audit findings, further details of which can be found in the detailed assessment section.

No.	Functional area	Audit finding title	Priority rating (high / medium)	Financial impact (US$)
1	Finance	Prepayment treated as expenditure	Medium	31,440

Management's comments

The Country Director of UNOPS South Sudan accepted the recommendation.

Signed:

Robert Waters
Partner
BDO LLP

5 November 2021

Operational overview

The objectives of the project are to improve access to basic infrastructure and to strengthen community institutions in selected counties in South Sudan. The project consists of the following parts:

1. Community Infrastructure and Services

- Investments in community-level infrastructure and services (sub-projects), such as construction, rehabilitation of water supply and sanitation facilities, footpaths, community roads, dykes, health facilities, and education facilities, selected by communities using a participatory planning process.

2. Local Institution Strengthening

- Provision of support for the participatory planning process for selection of sub-projects, through a program of activities to strengthen community institutions.

- Provision of support through a program of activities to strengthen county government.

3. Project Management and Learning

- Provision of support for project implementation, including: (a) project management; (b) project monitoring; (c) data collection on beneficiary impacts and social dynamics; (d) studies for improvement of project implementation; and (e) financing for third-party monitoring, operating costs and training.

4. Contingent Emergency Response

- Provision of immediate response to an “Eligible Crisis or Emergency”, as needed.

The project is ongoing and is expected to be completed by 31 July 2023.

The audit team extends its appreciation to the management and staff members of the UNOPS office in South Sudan for their full cooperation during the audit.

Detailed assessment

1.	Title:	Prepayment treated as expenditure
Functional area:		**Finance**
Comparison criteria:		Rule 122.20 of the EOD.ED.2017.04 'Financial Regulations and Rules' states the following: "Advance payments (a) Except where normal, commercial practice or the best interests of UNOPS so require, no contract shall be made on behalf of UNOPS which requires payment(s) in advance of the delivery of products or the performance of contractual services. Whenever an advance payment is agreed in accordance with UNOPS policies and procedures, the reasons therefore may be justified in writing…" Further, Rule 23.01 states "Financial statements shall comply with accounting policies which shall prescribe accrual-based accounting in accordance with IPSAS".
Priority:		Medium
Cause:	Guidance	[redacted]
Responsible manager:		Finance Officer
Due date:		31 December 2021
Financial impact:		US$ 31,440
Facts / observation:		We noted that a payment was made in respect of the World Food Programme (WFP) UN-HAS flight services, dated 31 December 2020. This funded travel costs for journeys which occurred in 2021, and we were provided with travel tickets from Q1 and Q2 2021 as supporting evidence for this expenditure. However, the payment was recognised as expenditure in 2020, rather than in 2021.

[redacted]

Details of the transaction are shown in the table below:

Voucher no.	Description	Trans. date	Account	Expenditure (US$)
100208774	Being receipt for a prepayment for the WFP UN-HAS flight services	31-Dec-20	Travel Tickets-Local	30,000
100208774	Being receipt for a prepayment for the WFP UN-HAS flight services	31-Dec-20	Receipt Accrual	-

Details of the prepayment offset are shown in the table below:

	<table><tr><th>Voucher no.</th><th>Description</th><th>Trans. date</th><th>Account</th><th>Prepayment (US$)</th></tr><tr><td>630000856</td><td>Advance payment to UNHAS for domestic flights to and from project locations under ECRP project South Sudan country office</td><td>01-Dec-20</td><td>Prepayments</td><td>(30,000)</td></tr><tr><td>620516713</td><td>Offsetting of prepayment to WFP for UNHAS flight services RFP# 630000856</td><td>31-Dec-20</td><td>Prepayments</td><td>30,000</td></tr></table> The net prepayment recorded at the reporting date was therefore nil, as a result of the offset transaction posted. [redacted]
Impact:	[redacted]
Recommendation:	The project team should ensure that expenditure is recorded in the period in which it is incurred. Prepayments should be recorded as such.
Management reply and action plan:	[redacted] <u>Action plan:</u> A detailed analysis on prepayments balances, including a comparison and reconciliation between quarters on each prepayment ID that includes checking offset RFPs to ensure accrual expense recognition.

Annex I - Definitions

Standard audit ratings for overall performance of internal control system

Effective 1 January 2017, the internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP adopted harmonized audit rating definitions, as described below. IAIG assesses the entity under review as a whole as well as the specific audit areas within the audited entity:

(a) satisfactory (effective),

(b) partially satisfactory (some improvement needed),

(c) partially satisfactory (major improvement needed), and

(c) unsatisfactory (ineffective).

The elements of the rating system take into account the audited office's internal control system, risk management practices, and their impact on the achievement of office objectives.

The definitions of the ratings are, as follows:

Standard rating	Definition
Satisfactory (effective)	The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
Partially satisfactory (Some improvement needed)	The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
Partially satisfactory (Major improvement needed)	The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
Unsatisfactory (ineffective)	The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity.

Categories for priorities of audit recommendations

The audit observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The categorized audit observation provides a basis by which the UNOPS country office management is to address the issues.

The following categories of **priorities** are used:

Categories	Definition
High	Prompt action is considered imperative to ensure that UNOPS is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).
Medium	Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
Low	Action is considered desirable and should result in enhanced control or better value for money.

Possible causes

The following categories of **possible causes** are used:

- **Guidelines**: absence of written procedures to guide staff in performing their functions.
  - Lack of or inadequate corporate policies or procedures
  - Lack of or inadequate RO/OC/PC policies or procedures
  - Inadequate planning
  - Inadequate risk management processes
  - Inadequate management structure
- **Guidance**: inadequate or lack of supervision by supervisors.
  - Lack of or inadequate guidance or supervision at the RO/OC/PC level
  - Inadequate oversight by Headquarters
- **Resources**: insufficient resources (funds, skill, staff) to carry out an activity or function.
  - Lack of or insufficient resources (financial, human, or technical resources)
  - Inadequate training
- **Human error**: Un-intentional mistakes committed by staff entrusted to perform assigned functions.
- **Intentional:** intentional overriding of internal controls.
- **Other**: Factors beyond the control of UNOPS.